

City of San Jose
457 Deferred Compensation RFP Questions / Response

1. RFP / Scenario Questions

- 1.1 In Scenario 1, you indicate that the provider must absorb any liquidation fees associated with transitioning all existing assets immediately. However, upon reviewing the information provided in Exhibit D, it appears that there are no liquidation charges associated with the current providers - the only encumbrance may be a 12-month put on the PLUS Fund assets. Can you confirm that this understanding is correct?

This information is basically correct. There are no contingency deferred or other sales charges. There is an encumbrance on the ICMA RC Plus Fund. A redemption fee may be assessed when participants sell shares within proposed funds. Currently, only the Templeton World Fund assesses a 2% fee on assets held less than 7 days. The American Funds has indicated that it will implement purchase block rules on short term trading for its funds.

- 1.2 If the City goes with Scenario 3, what is the conversion process you anticipate? Will it be up to the participants to "re-enroll" and select a new provider? Will a default provider be selected for those participants who do not re-enroll?

If the DCAC elects Scenario 3, participants will be offered the choices of providers and investments. The Committee has not discussed at this point what default will be established but the DCAC will develop a default and would communicate that to providers as well as participants. If any provider's proposal is affected by this default potential it should be raised in the RFP response and, as appropriate, in the finalist meetings.

- 1.3 During the 12 month period of the liquidation of the PLUS Fund, will the fund be paying benefits and transfers? Will this be on a pro rata basis?

The Committee has not discussed what the details of the 12 month period of liquidation of the PLUS Fund would entail. This issue and the effect on

participants should be raised in the RFP response and, as appropriate, in the finalist meetings.

1.4 For Scenarios 2 & 3, if DCAC contracts with 2 providers, what will be the withdrawal protocol?

If the DCAC elects Scenario 2, participants will transition to the sole provider effective October 1, 2006; notifications to participants, including a description of the default, will be sent not less than 90 days prior to October 1. If the DCAC elects Scenario 3, participants will be offered the choices of providers and investments. The Committee has not determined what default will be established but the DCAC will develop a default and will communicate that to providers as well as participants. If any provider's proposal is affected by this default potential it should be raised in the RFP response and, as appropriate, in the finalist meetings.

1.5 For production purposes, if the vendor proposes more than one scenario, please clarify if all questionnaires for each scenario can be placed in one binder or should a separate binder be used for each scenario.

Either way is acceptable as long as the response clearly delineates which answers are appropriate for which scenario.

1.6 Under bidding Scenario 1 is there any contingency for ICMA to eliminate their Stable Value Stretch-out Provision in lieu of a cost (MVA)? If yes, what is that cost (MVA)?

According to ICMA RC, no liquidation fees would be charged on the City's plan should the City eliminate RC as a 457 plan provider. Under current contractual agreements with PLUS Fund wrap providers ICMA RC would be unable to contractually waive the right to make employer withdrawals from the PLUS Fund in an orderly manner over a period of not more than 12 months. This contractual requirement from the wrap provider does not mean that ICMA RC would always exercise the right, but their contractual agreement with wrap providers requires them to maintain that clause in any contract that they engage in with the City. ICMA RC's decision on exercising the right will be based upon prevailing fixed income market conditions and what is in the best long-term interest of their shareholders. At this time we do not know if ICMA RC will accept a Market Value Adjustment (MVA) in lieu of a 12 month transition.

1.7 If ICMA is unwilling to eliminate their Stable Value Stretch-out provision for a cost, how does Scenario 1 differ from Scenario 2?

If ICMA-RC is unwilling to eliminate this provision, Scenario 1 is moot and Scenario 2 applies.

1.8 Under the Primary Criteria (Historical Returns, Recordkeeping, Fees and Charges, Education Services) are they weighted equally for scoring purposes or is one criteria more important than another?

All of the primary criteria are critical to the proposal response. While the City is not prepared to discuss the specific weighting at this time, the weighting is likely to favor fund performance, fees/charges and a balanced, diverse portfolio of investment options.

1.9 Will a bidder be scored lower for not responding to all 3 Scenarios?

No. Proposals will be evaluated within each Scenario. We expect some respondents will only propose certain scenarios.

1.10 What is the DCAC's goal, from a participant education/plan improvement perspective, under the coming contract period? Is the focus on improved asset allocation? Increased participation? Increased average deferrals?

Refer to the Information & Summary document that accompanies the on-line cover letter and RFP document. See the "Key Issues" section.

Desired plan improvements are explicitly described in the Key Issues section. In addition, the recent changes to the Investment Policy were driven by a concern that while participants may diversify their assets at/near enrollment, they do not rebalance their assets actively or appropriately over time.

While the City is committed to maintaining the level of participation and the amount of deferrals, those are not particular areas of concern at this time.

1.11 If selected for a finalist interview, will vendors have the opportunity to enhance their product offering?

Proposals may be strengthened in areas identified by the DCAC as being weak. The questions and issues the DCAC develops and sends to finalists for response are a direct result of its evaluation of primary and secondary criteria. It is quite likely that weaknesses in the responses (compared to other finalists) will be highlighted with a specific request that the provider reconsider its proposal in light of enhancements that may strengthen its overall ranking.

Proposers may not modify their initial proposals except in areas specifically identified by the DCAC.

1.12 Are all ING assets, including the ING Fixed Account, unencumbered and available for transfer immediately upon contract award to a new provider? If

any ING assets are encumbered, please provide the details. Can you also confirm whether it should be assumed that Scenario 2 is the likely transition scenario since ICMA Plus Fund contractual provision allows for a 12 month put?

There are no restrictions or charges on all ING assets. According to ICMA RC, no liquidation fees would be charged on the City's plan should the City eliminate them as a 457/401 plan provider. Scenario 2 is not necessarily a "likely" transition scenario.

1.13 Does the City maintain a database of local or small business enterprises? If so, may we obtain a list of these enterprises for local preference consideration?

The City does not maintain a database of local/small business enterprises.

1.14 Exhibit A of the submission requirements provides that we will prepare and file all reports required under applicable City of San Jose requirements and state and federal law. Which reports will you expect, particularly with respect to the City of San Jose?

Provider's will be expected to provide payroll contribution confirmations, account distribution of money rolling in from other plans and distributions out of the plan to financial institutions and participants receiving a distribution.

Provider's will be expected to provide a Form 1099 to all separated employees receiving a distribution and employees who have received an in service distribution through an Emergency Hardship request. Reports, to the State and Federal government, confirming the Form 1099 income, will also be expected.

1.15 Clarification is needed on the exhibits and attachments information. Do we reference the Exhibits underneath each grid and then include as an additional document following the formal RFP? Or must we imbed the text directly into the RFP document.

Please refer to your exhibits and attachments in the grid. Unless the text is very brief, do not imbed the text directly into the RFP grid document.

1.16 Regarding the Scenarios, if two new vendors under Scenario 3 are selected, what will happen to the existing assets and to whom will they be transferred (certain percentage/dollar amount)?

If the DCAC elects Scenario 3, participants will be offered the choices of providers and investments. The Committee has not determined what default will be established but the DCAC will develop a default and will communicate that to providers as well as participants. If any provider's proposal is affected by this default potential it should be raised in the finalist meetings.

2. Administration

2.1 Tax ID Number

The City of San Jose's tax identification number is 94-6000419.

2.2 What payroll system does the City use and how frequently will payroll files be transmitted to the provider(s)?

The City's payroll system is PeopleSoft version 8.0. Annual upgrades for IRS tax changes have been installed. The City is planning to upgrade to PeopleSoft (Oracle) version 8.9 in 2006.

Payroll contribution files are transmitted to the provider bi-weekly, on the Friday of the pay day week, for the City's 26 pay periods. Payroll files are transmitted to providers on the providers' custom City of San José secured web site.

2.3 Does the plan have an outside trustee? If so, who?

The members of the DCAC are the 457 Deferred Compensation Plan trustees.

2.4 Will all transactions between the provider and the City be in electronic form?

This depends on the provider(s) transaction requirements. With the City's current providers, day to day participant transactions, such as enrollments, purchase service credits, roll-ins/outs, withdrawals and distributions, death claims and separation of accounts in divorce proceedings have been sent either via email, fax or U.S. mail, depending on the providers' transaction requirement.

Transactions for bi-weekly payroll deferral contributions have been submitted to providers via the provider's secured internet site custom for the City of San José.

2.5 How many pay centers submit payrolls and receive a feedback file from the selected provider? Is the same format used for both submitting and receiving?

For the purpose of deferred compensation processing, the City has one pay center that transmits payroll information to the providers through secured web sites.

City staff runs the payroll interface reports and submits them to the providers on the providers' secured custom web sites for the City.

Providers submit a hard copy feedback file (each pay period and quarterly) to the Finance Department, and immediately post contribution information on the providers' custom web sites.

2.6 What is the annual number of phone calls to the VRU (ING and ICMA)?

ING = 1,628

ICMA-RC = 3,310

2.7 What is the annual number of phone calls handled by phone representatives (ING and ICMA)?

ING = 1,641

ICMA-RC = 2,190

2.8 What is the annual number of internet session (ING and ICMA)?

Internet sessions for 2005 for providers were as follows:

ICMA-RC = 26,790

ING = 17,896

2.9 Are distributions form based?

Yes, currently participant distributions are requested by completing a provider Withdrawal Request form. Participants in the voluntary and the PTC plans who have a severance event with accounts in excess of \$1,000 are required to complete the form for initial distributions. City staff verifies the eligibility of the participant, signs off on the request, and processes the form via fax transmission to providers. Subsequent requests for distribution changes are handled directly with the provider.

Participants in the 457 voluntary plan and the PTC 457 plan, who have a severance event, with accounts less than \$1,000, receive a lump sum distribution on the 31st day after the severance event which has been authorized by Staff via an emailed Excel file.

Distributions are in compliance with The Deferred Compensation Plan as set out in San José Municipal Code Chapter 3.48. The PTC 457 Plan is set out in San José Municipal Code Chapter 3.50. Both documents are available on the City's website at www.sanjoseca.gov.

- Clicking on the Municipal Code link under Local Government.
- Choose the "Frames" option to get the Table of Contents.

- Click on Title 3, then Retirement Plans, then Chapter 3.48 or Chapter 3.50.

2.10 Is demographic data transmitted electronically in one consolidated file?

No, participant demographic data is not currently consolidated into one file and submitted to providers. Participant name and address changes are emailed to providers on a bi-weekly basis.

Other demographic information is reported on enrollment forms either from providers' on-line internet site or via fax when paper enrollments are received.

2.11 Does the City currently track the onsite education service from its current vendors? If so, please identify the total number of group seminars and the total number of individual consultations provided by each vendor.

In 2005, 20 education classes were held with total attendance of 420 employees and four Choices Retirement classes with attendance of 96.

The total number of individual consultations provided by ICMA-RC and ING is 1,384 and 2,600, respectively.

See attached Brown Bag Training class schedule for FY 04-05 and FY 05-06.



FY 04-05
Worksheet



FY 05-06
Worksheet

2.12 Does the City currently require the administrators to remit an asset-based fee, in addition to the pro-rata share of the DCAC budget, based on the cash value of the Plan assets administered? If yes, is this fee deducted from the participants' accounts?

The plan providers currently do not remit an asset-based fee. The DCAC is looking for the provision of \$370,000 for reimbursement. It is not directly drawn from participant accounts but included in the overall financial structure of the proposal.

2.13 Our experience with part-time/seasonal/temporary/contractor plans has been to provide annual statements to lower the cost to participants. Would the City be interested in entertaining such a change?

The City wishes to maintain quarterly reports for the PTC participants. The City has a number of PTC participants who are permanent employees and who monitor their PTC balances regularly through their statements.

The City is open to alternative suggestions and recommendations to quarterly hard copy statements that are mailed to homes. The suggestion or recommendation should be accompanied by an education/communication plan to migrate 3145 PTC participants to any new statement format.

2.14 The City discloses an interest in on-line enrollments and deferrals with data transmissions between the providers' administrative systems and the City's HR/payroll system. Regarding this plan change:

- a. Please identify any file format requirements for this transmission.
- b. What data elements are required in this transmission (i.e. Social Security number, new deferral amount, etc.)?
- c. Does the City wish for this file to include indicative data updates (i.e. address changes, name changes, etc.)?

At this point in the process, the City is most interested in proposers' successes in on-line enrollments/deferrals. Specifically, we are interested in examples in which the proposers have used their own websites as "front ends" for their clients' plan participants' transactions. The "back end" logistics will be discussed and detailed later in the screening/selection process.

Information only: The City of San Jose employs PeopleSoft v8.0. The City is upgrading to PeopleSoft v8.9 in 2006. The go-live date is targeted for January 2007.

2.15 How many pay centers will be sending information to the record keeper? What method is currently being used by each of those pay centers to communicate payroll information?

For the purpose of deferred compensation processing, the City has one pay center that transmits payroll information to the providers through secured web sites.

2.16 The request for proposal mentions the City may utilize magnetic tape to provide data/information to the record keeper. Is the magnetic tape reel-to-reel or cartridge? Are there any plans to move away from this method of transmission?

The City currently does not use magnetic tape to transfer payroll contribution data. Bi-weekly payroll contributions are submitted via the provider's secured internet web site.

The use of magnetic tape would be used only if the electronic link between the City and provider became disabled. Should this happen, the City would use cartridge tape (DLT4) to transfer information.

2.17 The City mentions it wishes to explore the possibility of implementing loan options under the new contract. Please confirm there are no loans currently available through either administrator.

Confirmed, there is no loan program at this time.

2.18 How are full-time and PTC payrolls separated in the payroll submission process?

The full-time and PTC payrolls are separated on the electronic file by plan numbers. This is an issue only for ICMA-RC which is the sole provider for the PTC plan.

2.19 How many Unforeseeable Emergency requests are received per month?

City staff receives an average of 7 Unforeseeable Emergency requests per month for both the voluntary 457 and the PTC plans.

Though requests are received, emergency withdrawals are not allowed from the PTC 457 Plan.

Approved Unforeseeable Emergency requests for the last three years:

2003 = 11

2004 = 14

2005 = 8

2.20 What role is each provider expected to play in deferral limit monitoring if multiple providers are selected?

In a multiple provider environment, the City will retain responsibility for monitoring deferral limits.

2.21 If PTC contributions are received without new enrollment information, what is the preferred method for handling – rejection or suspension of the contribution, or default address of the employer?

The preferred method for handling contributions received without new enrollments would be that the provider notifies Staff of the missing enrollment, hold the contribution in a suspense account, pending receipt of the enrollment form which staff will complete and submit in a timely manner.

2.22 Please describe the City's current and on-going process for approving domestic relations orders.

The City requires that the Plan be joined in the marital dissolution proceeding. Both the Deferred Compensation Plan and the City Attorney's Office will accept service of process. The City Attorney's Office then sends a letter and a sample

Conforming Domestic Relations Order to the parties. The City Attorney's Office reviews proposed orders for conformance with the requirements of the Plan, reviews filed orders, and sends a copy of each filed order to the Deferred Compensation Plan office with a cover memorandum approving the order.

2.23 Our understanding of the "hot link" requirement located on page 30 of the questionnaire is that the Web site provided by the provider would include a link to the City's Web site. Is this correct? Are there any additional links the City requires?

This assumption is correct. No additional links are required.

2.24 What is the number of physical location for City offices/facilities where on-site services would be handled? How many representatives currently provide on-site services or what is the full-time equivalent level of servicing?

There are seven main physical locations for on-site services for City offices/facilities, as noted on the attached Provider Department Visits document. The Library Department and San Jose Fire Department have 15 and 32 satellite locations respectively through out the City. To view specific satellite locations see their internet sites at <http://www.sjlibrary.org/> and <http://www.sjfd.org/>

The number of FTEs dedicated to on-site services by ICMA-RC and ING is one (1) and one and a half (1.5), respectively.

See **attached** [Provider Department Visits](#) document.



3. Investments / Expenses

3.1 Can you clarify what form of compensation for the provider is acceptable? For example, 12b-1 fees and other administrative fee payments from outside fund companies are typically paid to the record-keeper to offset administrative costs, however Section 16 of the Agreement indicates that all such fees are to be paid back to the funds. Is this correct?

In general, the DCAC is looking for optimal net return (fund return less fund fees and expenses). We do expect proposals to incorporate some 12b-1 fees but keeping participant fees to a minimum while covering your costs maximizes your chances for being considered a finalist. Section 16 refers to administrative

options that failed to meet the criteria outlined in the Investment Policy Statement.

The following two investment options were added in 2005:

- American Fund Euro Pacific
- T. Rowe Price Equity Income

3.6 What is the current yield/current crediting rate on for each of the stable value options?

The ICMA RC VantageTrust Plus Fund current credited rate is 4.45% and the ING Fixed Account – 457/401 current credited rate is 4.15%.

3.7 What is the current expense ratio for each of the stable value options?

The ICMA RC VantageTrust Plus Fund expense ratio is indicated at 0.46% as of December 31, 2005. ING has not disclosed the expense ratio for the ING Fixed Account – 457/401.

3.8 What is the basis for crediting interest to participants for the stable value products (e.g., blended year, class year)? If on a class year basis, does the plan allow for the prepayment of loans?

The DCAC is interested in the methodology of how respondents to the RFP credit interest. Section 2.5 Fixed Income Product is designed to capture this information. The Plan currently does not have a loan option.

3.9 Will all the stable value options liquidate at full book value? What is, if any, the surrender charges or market value adjustments the stable value products?

ICMA RC has no liquidation fees that would be charged on the City's plan should the City eliminate RC as a 457 plan provider. Under current contractual agreements with PLUS Fund wrap providers ICMA RC would be unable to contractually waive the right to make employer withdrawals from the PLUS Fund in an orderly manner over a period of not more than 12 months. This contractual requirement from the wrap provider does not mean that ICMA RC would always exercise the right, but their contractual agreement with wrap providers requires them to maintain that clause in any contract that they engage in with the City. ICMA RC's decision on exercising the right will be based upon prevailing fixed income market conditions and what is in the best long-term interest of their shareholders.

ING has no restrictions or charges.

3.10 Is DCAC requesting a market value make-up? If yes, what is the amount or percentage?

[See the response to Question 3.9 above.](#)

3.11 For the ICMA stable value option, the RFP states that the PLUS Fund will be liquidated in an orderly manner over not more than 12 months. Please clarify whether this is monthly installments, at ICMA's discretion, or other payment manner.

[See the response to Question 3.9 above.](#)

3.12 The RFP mentions that "our contractual agreement with them [ICMA] requires San Jose to maintain that clause (12 month provision) in any contract that we engage in with you." Would you elaborate on what this means?

[See the response to Question 3.9 above.](#)

3.13 Would high yield, non U.S., and/or emerging market debt securities be acceptable underlying investments in any proposed stable value solution?

[The existing Investment Policy does not indicate high yield, non U.S. and/or emerging market debt securities as underlying investments. The DCAC is interested in respondent's comments and suggestions to develop the best net risk adjusted return to participants in this investment option.](#)

3.14 For a proposed stable value option, what is DCAC's duration/maturity expectation - Short, Intermediate or Long?

[The existing Investment Policy indicates short to intermediate duration. The DCAC is interested in respondent's comments and suggestions to develop the best net risk adjusted return to participants in this investment option.](#)

3.15 What benchmark/peer group is DCAC comparing the proposed stable value solution?

[Refer to Exhibit G: Draft Investment Policy and Procedures Statement](#)

3.16 Based on Exhibit D, we understand that ICMA will not have any liquidation fees and that asset withdrawals from the PLUS Fund may be distributed in an orderly manner over a period of not more than 12 months. Regarding the ING assets, while we understand there are no liquidation charges or contingent deferred sales charges we would like to confirm that there are no other

restrictions imposed by ING on the liquidation of assets including market value adjustments and/or the distribution of assets over a period of time.

ING has no restrictions or Market Value Adjustment (MVA).

3.17 Is it the City's expectation to have the same interest rate and pricing on both the PTC plan and the “full-time” plan?

No, but we are looking for the most competitive proposals including both the PTC and the full time plan.

3.18 Please confirm there are no surrender charges, contingent deferred sales charges, market value adjustments, etc. associated with any assets held by ICMA or ING currently. Our understanding is the only restriction on assets is a potential 12-month put on the assets invested in the ICMA PLUS fund.

This is basically correct. If triggered, a redemption fee may be assessed when participants sell shares within proposed funds. Currently, only the Templeton World Fund assesses a 2% fee on assets held less than 7 days. The American Funds has indicated that it will implement purchase block rules on short term trading for its funds.

3.19 Does either current provider offer self-directed brokerage accounts to City participants? If yes, how many accounts are currently in place and what company provides the self-direct brokerage option services?

Both of the current providers offer Self-Directed Brokerage Accounts (SDBA) for mutual funds. ICMA RC refers to their SDBA as VantageBroker program. They have a partnership with UVEST. As of 9/30/05, VantageBroker had 82 participants with assets totaling \$6.2 million. The ING SDBA has recently been moved to Ameritrade from HarrisDirect. There are 48 participants with assets totaling \$2.5 million.

The Plan currently does not permit SDBAs for individual securities investments.

3.20 Can you confirm that the ICMA Vantage Broker is a self-directed brokerage option (SDBO)? If the Vantage Broker is a SDBO, is a listing of securities held available? In addition, would you provide further detail concerning the ING Annuity? Does the \$4.6 million in this ING option represent retired annuitants?

VantageBroker is an SDBO. General securities are not allowed, only mutual funds.

3.21 What is the total margin (investment management fee and any other charges) on the ICMA Plus Fund? What is the ICMA Plus Fund history of interest rates for the last four quarters (net to participant)? What is the ING Fixed Account history of interest rates for the last four quarters?

ICMA RC indicates the expense of the PLUS Fund at 0.46%.

Below are the monthly returns for the ICMA-Plus Fund and the ING Fixed Account for the 12-month period ending March 2006.

Stable Value Funds	ICMA-RC PLUS Fund	ING – Fixed Account
April 2005	0.36%	0.33%
May	0.37%	0.35%
June	0.36%	0.33%
July	0.37%	0.35%
August	0.37%	0.35%
September	0.36%	0.33%
October	0.37%	0.35%
November	0.36%	0.33%
December	0.37%	0.35%
January 2006	0.37%	0.35%
February	0.34%	0.31%
March	0.37%	0.35%

3.22 Does the DCAC have a preference for risk based or retirement based lifestyle funds?

No, the DCAC does not have a preference for any particular risk- or time-based allocation funds.

The risk-based funds should include a diverse selection of at least 3 funds (per the Investment Policy), and the time-based funds should have a minimum of 5-year increments and a maximum of 10-year increments.

3.23 The RFP does not stipulate that a minimum of five (5) years of history (i.e., the fund must be in existence for a minimum of five (5) years) be included in the proposal response. However, on Page 14 of the Investment Policy Statement it does say that a mutual fund must have five (5) years to be included on the plan's investment lineup.

Could you clarify for me whether the mutual funds must have a minimum of five (5) years?

The Investment Policy Statement does state that a mutual fund must have five (5) years experience. On an exception basis, the DCAC has periodically added a fund that did not quite meet this requirement because of extenuating circumstances. Preference is a minimum five (5) year history.

3.24 Is there a waiver for index funds from the five-years of history requirement on all products? Or is this requirement in the Investment Policy Statement non-negotiable?

The DCAC would consider a waiver of the five year history requirement on an index fund.

3.25 For this spreadsheet, it asks for BETA to be entered. Does BETA refer to the S&P 500 as a market index or BETA to that particular asset class benchmark? Can more than one mutual fund per asset class be proposed?

The DCAC utilizes investment information as reported by Morningstar. Refer to Morningstar.com for the functional definition of BETA as used by the City.

Yes, more than one mutual fund per asset class can be proposed. It is the desire of the DCAC committee to follow the Investment Policy and Procedure Statement and target the various asset classes and categories to provide diversification opportunities for participants. Given that directive, respondents should be sensitive to the Investment Policy.

4. Historical Contributions / Balances

4.1 Can you provide an estimate of net cash flow (contributions minus distributions) for each plan?

Refer to new Exhibit J on the website for participants and holdings as of September 30, 2005.

4.2 Can you confirm the number of participants in the plan(s) and provide a breakdown of active versus inactives? The information in Exhibit I shows a total of 10,495 participants with account balances, but the fee charts in Section 4 of the questionnaire show only 7,600 participants.

There are approximately 7,350 active, inactive and retired participants in the voluntary plan and 3,145 active and inactive participants in the PTC Plan as of December 31, 2005. Exhibit I shows the number of participants in each investment option. The DCAC does not currently capture data that distinguishes between active and inactive participants in the plans.

4.3 Please provide quarterly cash flow history for the last 5 years for the current stable value options. If not available, please provide stable value fund assets for the last 5 years.

Below are the stable value fund assets for the last 5 years.

Year	ING Assets	ICMA Assets
2001	\$ 42,682,002	\$ 63,872,830
2002	55,455,974	67,754,071
2003	58,642,577	76,322,227
2004	60,780,944	80,792,262
2005	63,176,203	88,024,849

4.4 What proportion of the stable value assets are controlled by retired and terminated employees? If fund level information is not available, what proportion of the total Plan is controlled by these participants?

The DCAC does not capture information that distinguishes active, retired and terminated employees.

4.5 On page 2 of the Information & Summary document:

- What were the contributions (minus roll-ins) to the voluntary plan with ING Financial Services for 2005?

\$12,754,300

- What were the distributions (minus roll-outs) to the voluntary plan with ING Financial Services for 2005?

\$6,417,599

- How many participants had a voluntary plan account with both ING and ICMA-RC?

167

- How many participants had a PTC plan account with ICMA-RC and a voluntary plan account with ING?

This information is not available at this time.

4.6 Have there been any changes to the plan over the last five years that have significantly increased or decreased participation or the number of eligible employees?

There have been significant changes and enhancements to the plan in the last five years. Participation has increased as well as the average deferral per participant.

4.7 Other than those identified within the RFP, are there any expected changes to the plan that may increase or decrease plan participation or the number of eligible employees?

The RFP is the guiding document, however, the DCAC encourages respondents to suggest creative changes to increase participation and deferrals.

4.8 What is the average number of new enrollments per month?

For the voluntary plan in 2005, the average number of new enrollments per month was 20.

For the mandatory PTC plan in 2005, the average number of new enrollments per month was 68.

4.9 Please provide the number of new participants for each of the last three years.

New participants for the last three years in the voluntary plan:

2003 = 282
2004 = 186
2005 = 239

New participants for the last three years in the mandatory PTC plan:

2003 = 539
2004 = 461
2005 = 812

4.10 Please provide annual deferral totals for each of the last three years.

Annual Deferrals	2003	2004	2005
ING	\$ 12,905,662	\$ 12,908,878	\$ 12,754,300
ICMA-Vol	\$ 19,870,824	\$ 20,900,139	\$ 21,144,511
ICMA-PTC	\$ 1,161,445	\$ 1,192,101	\$ 1,361,008
TOTAL	\$ 33,937,931	\$ 35,001,118	\$ 35,259,819

4.11 Please provide the number of participants with account balances and the total plan balance as of 12/31 for the past three years.

	ICMA (inc PTC) Participants	ING Participants	Total Plan Balance
12/31/2003	7774	2775	\$ 388,471,542
12/31/2004	7481	2742	\$ 435,096,842
12/31/2005	7748	2743	\$ 478,515,576

4.12 Please provide the volume and aggregate amount of all participant distributions on an annual basis for the past three years, as well as the total of all participants currently in payout.

Provider	2003 Distributions	2004 Distributions	2005 Distributions	Participants in Payout
ING	\$ 8,162,033	\$ 9,442,421	\$ 8,629,422	258
ICMA-RC, Vol	\$ 6,983,609	\$ 9,346,931	\$ 9,109,010	295
ICMA-RC, PTC	\$ 661,335	\$ 692,494	\$ 744,229	9

4.13 Please provide current monthly or annual participant call volumes across all providers.

[Reference the responses to Questions 2.6 and 2.7.](#)

4.14 How many active participants are participating with each current vendor (ICMA; ICMA 3121 Plan; ING)? How many inactive participants are participating with each current vendor (ICMA; ICMA 3121 Plan; ING)? What are the annual contributions to ICMA, to the ICMA 3121 Plan, and to ING?

[Refer to new Exhibit J on the website for participants and holdings as of September 30, 2005. The DCAC does not capture inactive participant information. For contribution information, see the response to Question 4.10.](#)

5. Contractual

5.1 Can you provide a summary plan description or an overview of plan features, including a description of the forms of distribution available to participants?

[Plan Summary](#)

The Deferred Compensation Plan is set out in San José Municipal Code Chapter 3.48. The PTC 457 Plan is set out in San José Municipal Code Chapter 3.50. Both documents are available on the City's website at www.sanjoseca.gov by clicking on the Municipal Code link under San Jose Government. Choose the "Frames" option to get the Table of Contents. Click on Title 3, then Retirement Plans, then Chapter 3.48 or Chapter 3.50.

Distribution Options Available to Participants

Within 30 days following separation from service participants must decide on their distribution option or risk receiving a taxable distribution. Participants have the option of leaving their money with the City of San José's plans.

Pursuant to City of San José Municipal Code Chapter 3.48 & Chapter 3.50 and IRS Code Sec. 457, participants are eligible for a distribution on the 31st day after separation at retirement, or termination of service with the following options:

- à Lump Sum
- à Partial Distribution
- à Periodic Payments (monthly, quarterly, semi-annually or annually)
- à Variety of Annuities
- à COLA Option
- à Any combination of the above options.
- à Once distribution begins, the method and terms are flexible with no early distribution tax penalty.

5.2 In the Agreement, Section 5, you indicate that the provider must have at least one account representative with an office in the City of San Jose available for one-on-one counseling with participants. Is this a firm requirement or is it negotiable? Are regular group meetings supplemented by ongoing one-on-one support via telephone reps an acceptable alternative?

This element of the exemplar agreement is negotiable. While it would be ideal for the chosen provider to qualify for a San Jose "local business preference" (by virtue of having an office in Santa Clara County with at least one employee; see Section 13 of the RFP Grids), the City's primary concern is easy access by plan participants to qualified company representatives. See Enrollment/Account and Education sections (Sections 5 and 10, respectively) of the exemplar agreement and the Performance Standards/Guarantees section (Section 9) of the RFP grids to best understand the City's expectations in this area.

Yes, regular group meetings and one-on-one support via telephone reps are acceptable. In addition, the City wants on-site one-on-one support for those employees/participants most comfortable with that mode of communication/education.

5.3 Please confirm the term of the contract including renewal options.

The term of the agreement will be from the date of execution to September 30, 2010 with an option to extend the agreement under the same conditions for one additional two (2) year period.”

Exhibit A Submission Requirement #2 is revised to read as follows: “Any respondent to this RFP must be willing to sign a contract for a period of four (4) years with the ability by the DCAC to extend the contract under the same conditions for one additional two (2) year period.”

5.4 Please detail which individuals are required to complete the *Conflicts of Interest Form* (Section 12). Is it the individual signing the proposal or the person assigned to work on the case, including field representatives and home office staff?

The individuals who are required to complete the Conflicts of Interest Form are the individuals who are assigned to the San José account and are authorized to make recommendations to the Deferred Compensation Advisory Committee or to Plan participants. Individuals who perform clerical services and do not make recommendations are not required to complete the Form even though they are assigned to the San José account.

5.5 On page 3 of the Exemplar Agreement, Section 4 - Investment Funds: "Investment funds offered to Plan participants by the Contractor shall have no restrictions on fund-to-fund transfers or on transfers to funds offered by another investment provider, except as follows..."

Does this exclude funds with redemption fees, purchase blocks, equity wash rules, etc.?

The DCAC desires to remove as many restrictions to plan participants as is possible. The DCAC is also aware that some products that would be beneficial to participants may have restrictions. These restrictions will likely be addressed at the finalist meeting. As indicated in the Exemplar Agreement, “[*Exceptions, if any – depends on proposal accepted.*]”

5.6 On Page 14 of the Exemplar Agreement, Section 16 - Compensation, page A-1: "The Contractor may charge participant accounts for the Contractor's administrative fee and investment fees in amounts not to exceed the amounts set forth in EXHIBIT A, entitled “Compensation” (page A-1, Item B):

"In the event the investment management fees for any fund increase during the term of this Agreement such that the total fee for that fund would exceed the total fee set forth above, the Contractor shall immediately notify the

DCAC and shall provide a full explanation of the change in the fee. The Contractor shall not increase fees to Plan participants above those listed out above unless specifically authorized by the DCAC."

Is this language only applicable to a vendor's proprietary funds?

If not, how would the DCAC wish to be notified of investment management fees for non-proprietary funds since funds fees are determined by the fund family and are made public upon the issuance of the fund families' updated prospectus?

The DCAC requires plan providers to notify the City of any changes as soon as practically possible for both proprietary and non-proprietary funds. We recognize that non-proprietary fund expense decisions are not made by the providers. If changes to the fees result in fees that exceed those authorized when the contract is awarded, that fund may be subject to replacement.

5.7 On page 14 of the Exemplar Agreement, Section 16 – Compensation (Item B): "The administrative fee and the investment management fees (including fund expenses) shall accrue on a daily basis and shall be paid by each account monthly, in arrears, and shall be charged at one-twelfth of the annual rates set forth in Exhibit A."

Would this apply to the asset-based fee and/or administrative fee?

Yes.

5.8 On page 10, Section E of the Exemplar sample contract, please clarify this section is referring to Minimum Required Distribution testing.

This provision is referring to the distribution requirements of Internal Revenue Code section 457(d), which encompasses the minimum distribution requirements of Internal Revenue Code section 401(a)(9), and to the distribution requirements of the Deferred Compensation Plan in sections 3.48.130, 3.48.131, 3.48.132, 3.48.133, 3.48.134, and 3.48.137 of the San José Municipal Code.

5.9 Please confirm the City is willing to entertain the option of including our fixed account with transfer restrictions?

The DCAC desires to remove as many restrictions to plan participants as is possible. The DCAC is also aware that some products that would be beneficial to participants may have restrictions. These restrictions should be described in the proposal and will likely be addressed at the finalist meeting. As indicated in the Exemplar Agreement, "[Exceptions, if any – depends on proposal accepted.]"

5.10 Exhibit B (Page 6 – Section A.1.a.) mentions a participant sub-account number on page 6. Is this referring to the participant’s Social Security number?

Not necessarily. The sub-account number needs to be an identifying number for each of the plan participants.

5.11 In Exhibit B (Page 10 – Section 11.E.) there is a requirement to perform an initial distribution test and annual distribution testing thereafter to confirm compliance with the distribution requirements of the Plan and of Section 457 of the IRC. Is this requirement referring specifically to required minimum distributions (RMD)?

Yes.

5.12 Exhibit B (Page 14 – Section 16.D.) discusses the administrator reimbursing all 12b-1 fees and mutual fund revenue to the particular fund. Is this done currently? Is this the way the City envisions the contract being structured? If yes, is it the City’s intention to have the administrator charge a fee to all participants to offset record keeping costs?

Section 16 refers to administrative reimbursement to the City for its expenses. These reimbursements should be incorporated into the overall financial proposal but this does not mean that all fund fees should be returned as reimbursement.

5.13 Please determine if the policy disclosed in Exhibit B (Page 15 – Section 19.B.) is currently being followed. In addition, please provide a copy of the Statement of Economic Interests – Form 700.

Exhibit B, Page 15, Section 19.B., is not a policy. It is a clause of an agreement with which the chosen provider should be prepared to comply. Concerns about this particular item should be identified in the RFP response, Section 11.

Regarding Form 700, this is the link to the form on website of the State of California’s Fair Political Practice Commission:
<http://www.fppc.ca.gov/index.html?id=6>.

5.14 If possible, please provide a copy of the plan document(s) governing the City’s Deferred Compensation Program.

The Deferred Compensation Plan is set out in San José Municipal Code Chapter 3.48. The PTC 457 Plan is set out in San José Municipal Code Chapter 3.50.

Both documents are available on the City’s website at www.sanjoseca.gov .

- Clicking on the Municipal Code link under Local Government.
- Choose the “Frames” option to get the Table of Contents.
- Click on Title 3, then Retirement Plans, then Chapter 3.48 or Chapter 3.50.

5.15 Q6.5, E on page 23 asks the responder to list all subcontractors. By subcontractors, do you mean the transfer agency agreement for the underlying mutual funds, certain marketing contracts, and/or selling agreements with non-proprietary funds, all of which relate to services performed for thousands of plan sponsors, not just the City of San Jose?

No. Subcontractors for the purposes of this RFP are those organizations with which you would subcontract to perform specific services for the City. For example, if a proposer outsources enrollment, investment advice, record-keeping, etc., the City needs to know that those relationships exist.

RFP Question #49

Deferred Compensation Program
Brown Bag Training Classes
FY 2004-05

Class #	Course Name	AllSessions	Start Time	End Time	Atten
1000	* Navigating the ICMA-RC Website	Mon 10/25/04	12:00:00 PM	1:00:00 PM	15
991	Women and Investing	Mon 11/15/04	12:00:00 PM	1:00:00 PM	8
986	Investment Basics	Thu 12/09/04	12:00:00 PM	1:00:00 PM	11
988	Planning Your Tomorrows: Maximizing Your Deferred Compensation Plan	Thu 01/06/05	12:00:00 PM	1:00:00 PM	27
984	Building Your Portfolio: A Guide to Asset Allocation	Thu 01/27/05	12:00:00 PM	1:00:00 PM	30
1001	* Navigating the ICMA-RC Website	Thu 02/03/05	12:00:00 PM	1:00:00 PM	20
987	Investment Basics	Thu 02/24/05	12:00:00 PM	1:00:00 PM	20
985	Building Your Portfolio: A Guide to Asset Allocation	Mon 03/14/05	12:00:00 PM	1:00:00 PM	Cancelled
989	Planning Your Tomorrows: Maximizing Your Deferred Compensation Plan	Thu 03/24/05	12:00:00 PM	1:00:00 PM	19
990	Women and Investing	Mon 04/11/05	12:00:00 PM	1:00:00 PM	15
1005	*457 Deferred Compensation-What It Is - How It Works	Tue 10/12/04	12:00:00 PM	1:00:00 PM	28
1003	*457 Deferred Compensation-Catch-Up Provisions-Age 50/3 year Special	Tue 10/26/04	12:00:00 PM	1:00:00 PM	37
1011	*Let's Go Surfing "The ING Website" Your Deferred Comp. Account	Mon 11/01/04	12:00:00 PM	1:00:00 PM	23
1009	*Getting Ready for Retirement-Issues to Consider 5 Years Prior	Mon 11/08/04	12:00:00 PM	1:00:00 PM	21
1006	*Financial Focus for Women-Beyond Deferred Compensation	Mon 02/28/05	12:00:00 PM	1:00:00 PM	Cancelled
1004	*457 Deferred Compensation-What It Is - How It Works	Wed 03/02/05	12:00:00 PM	1:00:00 PM	35
1002	*457 Deferred Compensation-Catch-Up Provisions-Age 50/3 year Special	Wed 04/06/05	12:00:00 PM	1:00:00 PM	21
1010	*Let's Go Surfing "The ING Website" Your Deferred Comp. Account	Mon 04/25/05	12:00:00 PM	1:00:00 PM	13
1008	*Getting Ready for Retirement-Issues to Consider 5 Years Prior	Mon 05/02/05	12:00:00 PM	1:00:00 PM	76
1007	*Financial Focus for Women-Beyond Deferred Compensation	Wed 05/25/05	12:00:00 PM	1:00:00 PM	Cancelled
1031	*457 Deferred Compensation-Distribution Options-When & How	Wed 05/25/05	12:00:00 PM	1:00:00 PM	40

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*** New Classes (Descriptions)***** Navigating the ICMA-RC Website**

Learn how to access your account to review your current balance, asset allocation, fund profiles, and to make changes to your investments such as fund transfers and re-allocation your future contributions.

*** 457 Deferred Compensation-What It Is-How It Works**

Basic concepts, rules, and regulations of 457 Governmental DC plans as they relate and are available through CSJ payroll deduction.

*** 457 Deferred Compensation-Catch-Up Provisions-Age 50/3 Year Special**

Age 50" - An added Provision in 2001 Pension Reform; increased contribution limits; when to take advantage and the possibilities.

"3 Year Special Catch-Up" - When you eligible; How eligibility is calculated; How the rules have changed; When you **CANNOT** use.

***Let's Go Surfing "The ING Website" Your Deferred Comp. Account**

Getting started - how to set up and access your account. Review of menu options such as; current cash values, daily unit values and interest rates.

Monthly performance up dates; contribution information. How to transfer and/or reallocate \$ in your account.

Update profile; address, phone and/or password changes.

***Getting Ready for Retirement-Issues to Consider 5 Years Prior**

Planning and understanding your options does yield a happier and more relaxing retirement.

Course covers topics and issues that should be considered 5 years prior to your retirement.

***Financial Focus for Women-Beyond Deferred Compensation**

A wealth building workshop to meet your life goals. Included in the discussion "Planning for Wealth", "Accumulating Wealth", "Protecting Wealth", Enjoying Wealth, and then "Transferring Wealth".

***Deferred Compensation-Distribution Options-When & How**

Discussion of when and how the money in your 457 Deferred Compensation Plan is available for distribution. Review of new distribution rules.

Previous

Class #	Course Name	AllSessions	Start Time	End Time	Atten
1000	Navigating the ICMA-RC Website	Tue 11/15/05	12:00:00 PM	1:00:00 PM	5
991	Women and Investing	Thu 12/08/05	12:00:00 PM	1:00:00 PM	5
988	Planning Your Tomorrows: Maximizing Your Deferred Compensation Plan	Thu 01/12/06	12:00:00 PM	1:00:00 PM	26
	*Managing Your Investments	Thu 02/09/06	12:00:00 PM	1:00:00 PM	20/14
1001	*Achieving Financial Independence	Thu 03/23/06	12:00:00 PM	1:00:00 PM	17/12
989	Planning Your Tomorrows: Maximizing Your Deferred Compensation Plan	Thu 04/27/06	12:00:00 PM	1:00:00 PM	
	*Investing for Your Future	Thu 05/11/05	12:00:00 PM	1:00:00 PM	
1011	Let's Go Surfing "The ING Website" Your Deferred Comp. Account	Wed 10/19/05	12:00:00 PM	1:00:00 PM	3
1009	Getting Ready for Retirement - Issues to Consider 5 Years Prior	Mon 10/24/05	12:00:00 PM	1:00:00 PM	9
1003	457 Deferred Compensation-Catch-Up Provisions-Age 50/3 year Special	Tues 11/08/05	12:00:00 PM	1:00:00 PM	1
1006	457 Deferred Compensation Distribution Options - When and How	Mon 11/14/05	12:00:00 PM	1:00:00 PM	18
1004	457 Deferred Compensation - What It Is and How It Works	Wed 03/15/06	12:00:00 PM	1:00:00 PM	26
1010	Let's Go Surfing "The ING Website" Your Deferred Comp. Account	Wed 03/29/06	12:00:00 PM	1:00:00 PM	2
1002	457 Deferred Compensation-Catch-Up Provisions-Age 50/3 year Special	Mon 04/10/06	12:00:00 PM	1:00:00 PM	
1008	Getting Ready for Retirement - Issues to Consider 5 Years Prior	Wed 05/03/06	12:00:00 PM	1:00:00 PM	
1007	457 Deferred Compensation Distribution Options - When and How	Mon 05/08/06	12:00:00 PM	1:00:00 PM	

90

*** New Classes (Descriptions)***** Navigating the ICMA-RC Website**

Learn how to access your account to review your current balance, asset allocation, fund profiles, and to make changes to your investments such as fund transfers and re-allocation your future contributions.

***(New) Investing for Your Future**

For employees who are just learning the importance of saving for retirement.

Topics include: Plan Overview (contributions, withdrawals, catch-up, portability, 457 plan advantages)
Investing Principles such as the value of tax-deferred investing, saving vs. investing, personal investment profile questions, and investment options.

Women and Investing

Focuses on the unique issues women often face in preparing for retirement including longer life expectancies, interruptions in the working career, wage differentials, and some specific steps women should consider taking to overcome these hurdles. Topics include: Reasons to save for retirement, roadblocks to financial success, effective cash management, investment basics.

Planning Your Tomorrows: Maximizing Your Deferred Compensation Plan

Focuses on employees 5 years from retirement. Topics include: Decisions and factors to consider as retirement nears, 457 Catch-Up provision & Age 50 Catch-Up, Withdrawal provisions, 457 distribution options including Depletion Order, Choosing an Investment Strategy for retirement years.

***(New) Managing Your Investments**

Gain a thorough understanding of all investment vehicles to effectively manage your portfolio. Topics include: Understanding Stock Market, Types of Mutual funds, Understanding risk vs. reward, Market Capitalization, Multi Management, Diversification, and personal investing principles.

***(New) Achieving Financial Independence**

Wealth is what you accumulate, not what you spend. In this class, you'll learn that wealth is more often the result of a lifestyle of hard work, perseverance, planning, and most of all, self-discipline. If you are willing to make the necessary trade-offs of your time, energy, and consumption habits, you can begin building wealth and achieving financial independence.

457 Deferred Compensation - What It Is and How It Works

Basic concepts, rules, and regulations of 457 Governmental DC plans as they relate and are available through CSJ payroll deduction.

457 Deferred Compensation-Catch-Up Provisions-Age 50/3 Year Special

Age 50" - An added Provision in 2001 Pension Reform; increased contribution limits; when to take advantage and the possibilities.
"3 Year Special Catch-Up" - When you eligible; How eligibility is calculated; How the rules have changed; When you **CANNOT** use.

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Getting started - how to set up and access your account. Review of menu options such as; current cash values, daily unit values and interest rates.
Monthly performance up dates; contribution information. How to transfer and/or reallocate \$ in your account.
Update profile; address, phone and/or password changes.

Getting Ready for Retirement-Issues to Consider 5 Years Prior

Planning and understanding your options does yield a happier and more relaxing retirement. Course covers topics and issues that should be considered 5 years prior to your retirement.

Deferred Compensation Distribution Options -When and How

Discussion of when and how the money in your 457 Deferred Compensation Plan is available for distribution. Review of new distribution rules.

**Provider Department Visits
RFP Question #84**

Department Name (Main Locations Bold print*)	Participation as of 12/31/05	ICMA-RC Representative	ING Representative	ING Representative
<u>Employee Service*</u> Walk-in appointments, available to City Hall employees		Weekly 3 hours	Shared schedule w/ 2 nd rep. Weekly 3 hours	Weekly 3 hours
Attorney	70%			
City Auditor	63%			
City Clerk	91%			
City Manager	61%			
Employee Services	69%			
Finance	70%			
Housing	66%	Quarterly		
Independent Police Auditor	83%			
Information Technology	67%			
Mayor/Council	25%			
Office of Economics Develop. (OED)	64%			
Parks, Rec. & Neighbor. Svcs. (PRNS)	47%	Quarterly	Bi-monthly	
Public Works	69%			
Transportation	61%	Quarterly		
<u>Airport*</u> • Terminal • No. First St.	57%	Quarterly	Bi-monthly	
<u>“Old King Library”*</u> (170 West San Carlos St.) Plan, Bldg, & Code Enforce. (PBCE) Fire Dept. Administration Fire Prevention	63%	Quarterly	Bi-monthly	
<u>Fire Department*</u> 32 Fire Stations http://www.sjfd.org/	83%	Quarterly	Weekly rotation schedule	
<u>Police Department*</u>	78%	Wkly Wednesday, AM/PM briefings Last Tuesday @ noon		<u>Bi-monthly</u> -2 nd Monday and 4 th Thursday, all three shifts. <u>Monthly POA meeting</u>
<u>Water Pollution Plant*</u> Environmental Services	68%	3 rd Thursday 1a.m. – 3 p.m.	Monthly	
<u>Convention, Art, & Entermnt. (CAE)*</u>	51%	Quarterly		
<u>MLK Library*</u> plus 15 other sites. http://www.sjlibrary.org/	58%	Quarterly		
<u>Retirement Deptatment*</u>	88%			
Totals	69%			